

# Union Calendar No. 125

110TH CONGRESS  
1ST SESSION

# H. R. 2139

[Report No. 110–206]

To modernize the manufactured housing loan insurance program under title I of the National Housing Act.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 3, 2007

Mr. DONNELLY (for himself, Mr. FRANK of Massachusetts, Mr. FEENEY, and Mr. TIBERI) introduced the following bill; which was referred to the Committee on Financial Services

JUNE 21, 2007

Additional sponsors: Ms. CARSON, Mr. HINCHEY, Mr. SHERMAN, Mr. SCOTT of Georgia, Mr. BOSWELL, Mr. BOYD of Florida, Mr. RAHALL, Mr. CLEAVER, Mr. CALVERT, Mr. DAVIS of Kentucky, Mr. MCHENRY, Mr. PEARCE, Mr. KIRK, Mr. LINCOLN DAVIS of Tennessee, Mr. MOORE of Kansas, Ms. MOORE of Wisconsin, Mr. CHANDLER, Mr. ELLSWORTH, Mr. WILSON of Ohio, Mr. GILLMOR, Mr. SIRES, Mr. ELLISON, Mr. KNOLLENBERG, Mr. SOUDER, Mr. JONES of North Carolina, and Mr. ETHERIDGE

JUNE 21, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on May 3, 2007]

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## A BILL

To modernize the manufactured housing loan insurance program under title I of the National Housing Act.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       *This title may be cited as the “FHA Manufactured*  
5       *Housing Loan Modernization Act of 2007”.*

6       **SEC. 2. FINDINGS AND PURPOSES.**

7       *(a) FINDINGS.—The Congress finds that—*

8               *(1) manufactured housing plays a vital role in*  
9               *providing housing for low- and moderate-income fam-*  
10              *ilies in the United States;*

11              *(2) the FHA title I insurance program for man-*  
12              *ufactured home loans traditionally has been a major*  
13              *provider of mortgage insurance for home-only trans-*  
14              *actions;*

15              *(3) the manufactured housing market is in the*  
16              *midst of a prolonged downturn which has resulted in*  
17              *a severe contraction of traditional sources of private*  
18              *lending for manufactured home purchases;*

19              *(4) during past downturns the FHA title I in-*  
20              *surance program for manufactured homes has filled*  
21              *the lending void by providing stability until the pri-*  
22              *vate markets could recover;*

23              *(5) in 1992, during the manufactured housing*  
24              *industry’s last major recession, over 30,000 manufac-*  
25              *tured home loans were insured under title I;*

1           (6) in 2006, fewer than 1,500 manufactured  
2           housing loans were insured under title I;

3           (7) the loan limits for title I manufactured hous-  
4           ing loans have not been adjusted for inflation since  
5           1992; and

6           (8) these problems with the title I program have  
7           resulted in an atrophied market for manufactured  
8           housing loans, leaving American families who have  
9           the most difficulty achieving homeownership without  
10          adequate financing options for home-only manufac-  
11          tured home purchases.

12          (b) *PURPOSES.*—The purposes of this Act are—

13               (1) to provide adequate funding for FHA-insured  
14               manufactured housing loans for low- and moderate-  
15               income homebuyers during all economic cycles in the  
16               manufactured housing industry;

17               (2) to modernize the FHA title I insurance pro-  
18               gram for manufactured housing loans to enhance par-  
19               ticipation by Ginnie Mae and the private lending  
20               markets; and

21               (3) to adjust the low loan limits for title I man-  
22               ufactured home loan insurance to reflect the increase  
23               in costs since such limits were last increased in 1992  
24               and to index the limits to inflation.

1 **SEC. 3. EXCEPTION TO LIMITATION ON FINANCIAL INSTITU-**  
 2 **TION PORTFOLIO.**

3 *The second sentence of section 2(a) of the National*  
 4 *Housing Act (12 U.S.C. 1703(a)) is amended—*

5 *(1) by striking “In no case” and inserting*  
 6 *“Other than in connection with a manufactured home*  
 7 *or a lot on which to place such a home (or both), in*  
 8 *no case”; and*

9 *(2) by striking “: Provided, That with” and in-*  
 10 *serting “. With”.*

11 **SEC. 4. INSURANCE BENEFITS.**

12 *(a) IN GENERAL.—Subsection (b) of section 2 of the*  
 13 *National Housing Act (12 U.S.C. 1703(b)), is amended by*  
 14 *adding at the end the following new paragraph:*

15 *“(8) INSURANCE BENEFITS FOR MANUFACTURED*  
 16 *HOUSING LOANS.—Any contract of insurance with re-*  
 17 *spect to loans, advances of credit, or purchases in con-*  
 18 *nection with a manufactured home or a lot on which*  
 19 *to place a manufactured home (or both) for a finan-*  
 20 *cial institution that is executed under this title after*  
 21 *the date of the enactment of the FHA Manufactured*  
 22 *Housing Loan Modernization Act of 2007 by the Sec-*  
 23 *retary shall be conclusive evidence of the eligibility of*  
 24 *such financial institution for insurance, and the va-*  
 25 *lidity of any contract of insurance so executed shall*  
 26 *be incontestable in the hands of the bearer from the*

1        *date of the execution of such contract, except for fraud*  
 2        *or misrepresentation on the part of such institution.”.*

3        (b) *APPLICABILITY.—The amendment made by sub-*  
 4        *section (a) shall only apply to loans that are registered or*  
 5        *endorsed for insurance after the date of the enactment of*  
 6        *this Act.*

7        **SEC. 5. MAXIMUM LOAN LIMITS.**

8        (a) *DOLLAR AMOUNTS.—Paragraph (1) of section 2(b)*  
 9        *of the National Housing Act (12 U.S.C. 1703(b)(1)) is*  
 10        *amended—*

11                (1) *in clause (ii) of subparagraph (A), by strik-*  
 12                *ing “\$17,500” and inserting “\$25,090”;*

13                (2) *in subparagraph (C) by striking “\$48,600”*  
 14                *and inserting “\$69,678”;*

15                (3) *in subparagraph (D) by striking “\$64,800”*  
 16                *and inserting “\$92,904”;*

17                (4) *in subparagraph (E) by striking “\$16,200”*  
 18                *and inserting “\$23,226”; and*

19                (5) *by realigning subparagraphs (C), (D), and*  
 20                *(E) 2 ems to the left so that the left margins of such*  
 21                *subparagraphs are aligned with the margins of sub-*  
 22                *paragraphs (A) and (B).*

23        (b) *ANNUAL INDEXING.—Subsection (b) of section 2 of*  
 24        *the National Housing Act (12 U.S.C. 1703(b)), as amended*

1 *by the preceding provisions of this Act, is further amended*  
 2 *by adding at the end the following new paragraph:*

3           “(9) *ANNUAL INDEXING OF MANUFACTURED*  
 4           *HOUSING LOANS.*—*The Secretary shall develop a*  
 5           *method of indexing in order to annually adjust the*  
 6           *loan limits established in subparagraphs (A)(ii), (C),*  
 7           *(D), and (E) of this subsection. Such index shall be*  
 8           *based on the manufactured housing price data col-*  
 9           *lected by the United States Census Bureau. The Sec-*  
 10           *retary shall establish such index no later than one*  
 11           *year after the date of the enactment of the FHA Man-*  
 12           *ufactured Housing Loan Modernization Act of 2007.”.*

13           *(c) TECHNICAL AND CONFORMING CHANGES.*—*Para-*  
 14           *graph (1) of section 2(b) of the National Housing Act (12*  
 15           *U.S.C. 1703(b)(1)) is amended—*

16                   *(1) by striking “No” and inserting “Except as*  
 17                   *provided in the last sentence of this paragraph, no”;*  
 18                   *and*

19                   *(2) by adding after and below subparagraph (G)*  
 20                   *the following:*

21           *“The Secretary shall, by regulation, annually increase the*  
 22           *dollar amount limitations in subparagraphs (A)(ii), (C),*  
 23           *(D), and (E) (as such limitations may have been previously*  
 24           *adjusted under this sentence) in accordance with the index*  
 25           *established pursuant to paragraph (9).”.*

1 **SEC. 6. INSURANCE PREMIUMS.**

2 *Subsection (f) of section 2 of the National Housing Act*  
3 *(12 U.S.C. 1703(f)) is amended—*

4 *(1) by inserting “(1) PREMIUM CHARGES.—”*  
5 *after “(f)”;* and

6 *(2) by adding at the end the following new para-*  
7 *graph:”.*

8 *“(2) MANUFACTURED HOME LOANS.—Notwith-*  
9 *standing paragraph (1), in the case of a loan, advance of*  
10 *credit, or purchase in connection with a manufactured*  
11 *home or a lot on which to place such a home (or both),*  
12 *the premium charge for the insurance granted under this*  
13 *section shall be paid by the borrower under the loan or ad-*  
14 *vance of credit, as follows:*

15 *“(A) At the time of the making of the loan, ad-*  
16 *vance of credit, or purchase, a single premium pay-*  
17 *ment in an amount not to exceed 2.25 percent of the*  
18 *amount of the original insured principal obligation.*

19 *“(B) In addition to the premium under subpara-*  
20 *graph (A), annual premium payments during the*  
21 *term of the loan, advance, or obligation purchased in*  
22 *an amount not exceeding 1.0 percent of the remaining*  
23 *insured principal balance (excluding the portion of*  
24 *the remaining balance attributable to the premium*  
25 *collected under subparagraph (A) and without taking*  
26 *into account delinquent payments or prepayments).*

1           “(C) *Premium charges under this paragraph*  
 2           *shall be established in amounts that are sufficient, but*  
 3           *do not exceed the minimum amounts necessary, to*  
 4           *maintain a negative credit subsidy for the program*  
 5           *under this section for insurance of loans, advances of*  
 6           *credit, or purchases in connection with a manufac-*  
 7           *tured home or a lot on which to place such a home*  
 8           *(or both), as determined based upon risk to the Fed-*  
 9           *eral Government under existing underwriting require-*  
 10          *ments.*

11           “(D) *The Secretary may increase the limitations*  
 12           *on premium payments to percentages above those set*  
 13           *forth in subparagraphs (A) and (B), but only if nec-*  
 14           *essary, and not in excess of the minimum increase*  
 15           *necessary, to maintain a negative credit subsidy as*  
 16           *described in subparagraph (C).”.*

17 **SEC. 7. TECHNICAL CORRECTIONS.**

18           (a) *DATES.*—Subsection (a) of section 2 of the Na-  
 19           tional Housing Act (12 U.S.C. 1703(a)) is amended—

20                   (1) by striking “on and after July 1, 1939,” each  
 21                   place such term appears; and

22                   (2) by striking “made after the effective date of  
 23                   the Housing Act of 1954”.



1       (b) *AUTHORITY OF SECRETARY.*—Subsection (c) of sec-  
2       tion 2 of the National Housing Act (12 U.S.C. 1703(c)) is  
3       amended to read as follows:

4       “(c) *HANDLING AND DISPOSAL OF PROPERTY.*—

5               “(1) *AUTHORITY OF SECRETARY.*—Notwith-  
6       standing any other provision of law, the Secretary  
7       may—

8               “(A) deal with, complete, rent, renovate,  
9       modernize, insure, or assign or sell at public or  
10      private sale, or otherwise dispose of, for cash or  
11      credit in the Secretary’s discretion, and upon  
12      such terms and conditions and for such consider-  
13      ation as the Secretary shall determine to be rea-  
14      sonable, any real or personal property conveyed  
15      to or otherwise acquired by the Secretary, in  
16      connection with the payment of insurance here-  
17      tofore or hereafter granted under this title, in-  
18      cluding any evidence of debt, contract, claim,  
19      personal property, or security assigned to or held  
20      by him in connection with the payment of insur-  
21      ance heretofore or hereafter granted under this  
22      section; and

23              “(B) pursue to final collection, by way of  
24      compromise or otherwise, all claims assigned to  
25      or held by the Secretary and all legal or equi-

1           *table rights accruing to the Secretary in connec-*  
2           *tion with the payment of such insurance, includ-*  
3           *ing unpaid insurance premiums owed in connec-*  
4           *tion with insurance made available by this title.*

5           “(2) *ADVERTISEMENTS FOR PROPOSALS.*—*Sec-*  
6           *tion 3709 of the Revised Statutes shall not be con-*  
7           *strued to apply to any contract of hazard insurance*  
8           *or to any purchase or contract for services or supplies*  
9           *on account of such property if the amount thereof does*  
10          *not exceed \$25,000.*

11          “(3) *DELEGATION OF AUTHORITY.*—*The power to*  
12          *convey and to execute in the name of the Secretary,*  
13          *deeds of conveyance, deeds of release, assignments and*  
14          *satisfactions of mortgages, and any other written in-*  
15          *strument relating to real or personal property or any*  
16          *interest therein heretofore or hereafter acquired by the*  
17          *Secretary pursuant to the provisions of this title may*  
18          *be exercised by an officer appointed by the Secretary*  
19          *without the execution of any express delegation of*  
20          *power or power of attorney. Nothing in this sub-*  
21          *section shall be construed to prevent the Secretary*  
22          *from delegating such power by order or by power of*  
23          *attorney, in the Secretary’s discretion, to any officer*  
24          *or agent the Secretary may appoint.”.*

1 **SEC. 8. REVISION OF UNDERWRITING CRITERIA.**

2       (a) *IN GENERAL.*—Subsection (b) of section 2 of the  
3 *National Housing Act* (12 U.S.C. 1703(b)), as amended by  
4 the preceding provisions of this Act, is further amended by  
5 adding at the end the following new paragraph:

6               “(10) *FINANCIAL SOUNDNESS OF MANUFACTURED*  
7 *HOUSING PROGRAM.*—The Secretary shall establish  
8 such underwriting criteria for loans and advances of  
9 credit in connection with a manufactured home or a  
10 lot on which to place a manufactured home (or both),  
11 including such loans and advances represented by ob-  
12 ligations purchased by financial institutions, as may  
13 be necessary to ensure that the program under this  
14 title for insurance for financial institutions against  
15 losses from such loans, advances of credit, and pur-  
16 chases is financially sound.”.

17       (b) *TIMING.*—Not later than the expiration of the 6-  
18 month period beginning on the date of the enactment of this  
19 Act, the Secretary of Housing and Urban Development shall  
20 revise the existing underwriting criteria for the program  
21 referred to in paragraph (10) of section 2(b) of the *National*  
22 *Housing Act* (as added by subsection (a) of this section)  
23 in accordance with the requirements of such paragraph.

1 **SEC. 9. REQUIREMENT OF SOCIAL SECURITY ACCOUNT**  
 2 **NUMBER FOR ASSISTANCE.**

3 *Section 2 of the National Housing Act (12 U.S.C.*  
 4 *1703) is amended by adding at the end the following new*  
 5 *subsection:*

6 “(j) *REQUIREMENT OF SOCIAL SECURITY ACCOUNT*  
 7 *NUMBER FOR FINANCING.*—No insurance shall be granted  
 8 under this section with respect to any obligation rep-  
 9 resenting any loan, advance of credit, or purchase by a fi-  
 10 nancial institution unless the borrower to which the loan  
 11 or advance of credit was made, and each member of the  
 12 family of the borrower who is 18 years of age or older or  
 13 is the spouse of the borrower, has a valid social security  
 14 number.”.

15 **SEC. 10. GAO STUDY OF MITIGATION OF TORNADO RISKS**  
 16 **TO MANUFACTURED HOMES.**

17 *The Comptroller General of the United States shall as-*  
 18 *sess how the Secretary of Housing and Urban Development*  
 19 *utilizes the FHA manufactured housing loan insurance pro-*  
 20 *gram under title I of the National Housing Act, the commu-*  
 21 *nity development block grant program under title I of the*  
 22 *Housing and Community Development Act of 1974, and*  
 23 *other programs and resources available to the Secretary to*  
 24 *mitigate the risks to manufactured housing residents and*  
 25 *communities resulting from tornados. The Comptroller Gen-*  
 26 *eral shall submit to the Congress a report on the conclusions*

1 *and recommendations of the assessment conducted pursuant*  
2 *to this section not later than the expiration of the 12-month*  
3 *period beginning on the date of the enactment of this Act.*

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